

# New taxes appear to be off table in state budget talks

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OLYMPIA, Wash. (AP) - Gov. Jay Inslee said Friday that closing some tax exemptions should be the compromise that the House and Senate consider in order to reach a budget agreement quickly and avoid a partial government shutdown in Washington state.

Inslee said that a new capital gains tax that had been proposed by House Democrats is now off the table, and he said that the middle ground for both sides would involve closing exemptions to address the estimated \$300-350 million difference between both chambers' budgets.

"We need to get this done and need to get it done very soon," he said.

House leaders said Friday that they are still working on a list of potential exemptions that could address the gap between the two chambers on the approximately \$38 billion two-year budget, and Senate Republicans confirmed that they are open to that approach.

Inslee said he wasn't going to say which exemptions should be targeted, though he did mention two that House Democrats included in a previous budget proposal earlier this year: one for oil refineries and other for residents who live in states without a sales tax, like Oregon.

The Democratic-controlled House and Republican-controlled Senate have been locked in budget negotiations for several weeks, and are currently in a second overtime legislative session after adjourning both a regular 105-day legislative session and a 30-day special session without reaching a deal.

The next spending plan requires additional funding for education, as required by the state Supreme Court.

A new two-year budget must be signed into law by midnight June 30 or else dozens of state agencies and other offices would completely or partially close and more than 26,000 workers would be furloughed, according to the state Office of Financial Management. The current special session ends on June 27, which means lawmakers could potentially be called back for a third special session if a budget isn't passed off both chambers' floors by then.

Washington state has never had a government shutdown, but the Legislature has taken its budget talks to the brink before, including two years ago, when Inslee signed a budget on June 30.

Inslee said that final action on a budget won't happen before the state is required to notify state employees to the possibility of temporary layoffs. Most notices will arrive by email on Tuesday, though some letters were being sent Friday through the Postal Service on Friday to employees on leave. Last month, the state notified unions and vendors of a potential shutdown. But he continued to express optimism that lawmakers will avoid a government shutdown.

"There is no reason, zero, why we can't have a budget done in one week," he said.

House Majority Leader Pat Sullivan, a Democrat from Covington, stressed that House Democrats have made significant compromises during negotiations.

"Our goal is to finish the work that we need to finish and we're willing and able to do that," he said.

Republican Sen. Andy Hill, the Senate's main budget writer, said his chamber has said for months that putting more money into things like education and mental health could be done without new taxes.

"We feel like we're finally at a point now where we have agreement on that," he said. "We should be able to move forward quickly."